Financial Statements
(Expressed in thousands of dollars)

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Year ended March 31, 2013

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June 27, 2013

Independent Auditor's Report

To the Board of Commissioners of Forensic Psychiatric Services Commission

We have audited the accompanying financial statements of Forensic Psychiatric Services Commission, which comprise the statements of financial position as at March 31, 2013 and March 31, 2012 and April 1, 2011 and the statements of operations and accumulated operating surplus, changes in net financial assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation of these financial statements in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the financial statements which comprise the statements of financial position as at March 31, 2013 and March 31, 2012 and April 1, 2011, the statements of operations and accumulated operating surplus, changes in net financial assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and the related notes, are prepared, in all material respects, in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of matter
Without modifying our opinion, we draw your attention to note 1 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 17 to the financial statements discloses the impact of these differences.

PricewaterhouseCoopers LLP

Chartered Accountants

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statement of Financial Position
(Amounts expressed in thousands of dollars)

March 31, 2013, with comparative figures for March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012 (Restated – note 15)	April 1, 2011 (Restated – note 15)
Financial assets			
Cash and cash equivalents (note 2)	$ 177	$ 228	$ 185
Accounts receivable (note 3)	15,220	16,290	17,098
BC Public Service Long Term Disability Plan (note 7)	42	-	-
	15,439	16,518	17,283
Liabilities			
Accounts payable and accrued liabilities (note 4)	7,621	6,521	7,176
Deferred research and designated contributions (note 5)	101	-	-
Asset retirement obligations (note 6)	459	427	368
Retirement allowance (note 7(a))	1,543	1,474	1,462
Deferred capital contributions (note 8)	2,269	2,676	2,479
	11,993	11,098	11,485
Net financial assets	$ 3,446	$ 5,420	$ 5,798
Non-financial assets			
Tangible capital assets (note 9)	$ 2,443	$ 2,894	$ 2,774
Inventories held for use	64	79	79
Prepaid expenses	2,950	466	18
	5,457	3,439	2,871
Accumulated operating surplus (note 15(c)(iv))	$ 8,903	$ 8,859	$ 8,669

Commitments and contingencies (note 10)

See accompanying notes to financial statements.

Approved on behalf of the Commission:

Chair of the Commission

Commissioner

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statement of Operations and Accumulated Operating Surplus
(Amounts expressed in thousands of dollars)

Year ended March 31, 2013, with comparative figures for 2012

	Budget (note 1(j))	2013	2012 (Restated – note 15)
Revenues:			
Provincial Health Services Authority contributions	$ 55,156	$ 56,040	$ 49,553
Medical Services Plan	5,739	5,184	5,424
Amortization of deferred capital contributions (note 8)	738	654	657
Other (note 11(a))	222	396	522
Other contributions (note 11(b))	553	360	360
Research and designated contributions (note 5)	-	129	-
	62,408	62,763	56,516
Expenses (note 11(c)):			
Mental health & substance use	62,202	62,399	56,326
Corporate	206	320	-
	62,408	62,719	56,326
Annual operating surplus	$ -	$ 44	$ 190
Accumulated operating surplus, beginning of year (note 15(c)(iv))	8,859	8,859	8,669
Accumulated operating surplus, end of year	$ 8,859	$ 8,903	$ 8,859

See accompanying notes to financial statements.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statement of Changes in Net Financial Assets
(Amounts expressed in thousands of dollars)

Year ended March 31, 2013, with comparative figures for 2012

	Budget (note 1(j))	2013	2012
Annual operating surplus	$ -	$ 44	$ 190
Acquisition of tangible capital assets	(162)	(78)	(854)
Transfer of tangible capital assets	-	(169)	-
Asset retirement obligations	-	(16)	-
Amortization of tangible capital assets	810	714	733
Loss on disposal of tangible capital assets	-	-	1
	648	495	70
Acquisition of inventories held for use	-	(179)	(261)
Acquisition of prepaid expenses	-	(8,195)	(466)
Consumption of inventories held for use	-	194	261
Use of prepaid expenses	-	5,711	18
	-	(2,469)	(448)
Increase (decrease) in net financial assets	648	(1,974)	(378)
Net financial assets, beginning of year	5,420	5,420	5,798
Net financial assets, end of year	$ 6,068	$ 3,446	$ 5,420

See accompanying notes to financial statements.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statement of Cash Flows
(Amounts expressed in thousands of dollars)

Year ended March 31, 2013, with comparative figures for 2012

	2013	2012 (Restated – note 15)
Cash flows from (used in) operating activities:		
Annual operating surplus	$ 44	$ 190
Items not involving cash:		
Amortization of deferred capital contributions	(654)	(657)
Accretion of asset retirement obligations	17	59
Reduction in asset retirement obligations	(1)	-
Amortization of tangible capital assets	714	733
Retirement allowance expense	136	137
BC Public Service Long Term Disability Plan income	372	-
Net change in non-cash operating items (note 12)	(198)	(294)
Interest paid	-	(1)
Net change in cash from operating activities	430	167
Capital activities:		
Acquisition of tangible capital assets	(78)	(853)
Net change in cash from capital activities	(78)	(853)
Financing activities:		
Retirement allowance benefits paid	(67)	(125)
Contributions to BC Public Service Long Term Disability Plan	(414)	-
Capital contributions	78	854
Net change in cash from financing activities	(403)	729
(Decrease) increase in cash and cash equivalents	(51)	43
Cash and cash equivalents, beginning of year	228	185
Cash and cash equivalents, end of year	$ 177	$ 228

Supplementary cash flow information (note 12)

See accompanying notes to financial statements.

The Forensic Psychiatric Services Commission (the "Commission") was established as a Crown Corporation in November 1998 under the Order of the Lieutenant Governor in Council No. 1424. Pursuant to a transfer agreement, the Commission assumed budget and staff resources from the Ministry of Health on April 1, 1999.

The Commission is a member of the Provincial Health Services Authority ("PHSA" or the "Authority") which was created under the *Society Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry of Health and is one of six Health Authorities in British Columbia ("BC"). The Commission is dependent on the Ministry of Health to provide sufficient funds to continue operations, replace essential equipment and complete its capital projects. The Commission is a not-for-profit organization under the *Income Tax Act* of Canada, and as such is exempt from income and capital taxes.

The following agencies/programs are also included in PHSA:

British Columbia Cancer Agency Branch;

British Columbia Centre for Disease Control and Prevention Society Branch;

British Columbia Mental Health Society (Riverview) Branch;

British Columbia Provincial Renal Agency;

British Columbia Transplant Society Branch;

Cardiac Services British Columbia;

Children's & Women's Health Centre of British Columbia Branch;

Emergency and Health Services Commission;

Health Shared Services BC; and

Mental Health and Addictions Research Institute.

Effective December 31, 2001, the above-noted branch societies except for the Mental Health and Addictions Research Institute, Health Shared Services BC, and Emergency and Health Services Commission were amalgamated with, and continue the operations of, their respective former societies under bylaws and constitutions consistent with the PHSA. The amalgamated Branch is considered a continuation of the former Branch for financial reporting purposes.

The Commission operates the Forensic Psychiatric Hospital and six community forensic psychiatric services clinics. The Commission conducts fitness assessments of individuals appearing before the courts and provides treatment to those found not guilty by reason of mental disorder.

1. Significant accounting policies:

(a) Basis of accounting:

These financial statements are prepared by management in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board (referred to as the financial reporting framework (the "framework").

The *Budget Transparency and Accountability Act* requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB") without any PS 4200 series elections from their first fiscal year commencing after January 1, 2012.

Regulation 198/2011 provided direction for the reporting of restricted contributions whether they are received or receivable by the Commission before or after this regulation was in effect. The accounting treatment of restricted contributions in accordance with Regulation 198/2011 is as described in note 1(g). The impact of accounting for restricted contributions in accordance with Restricted Contributions Regulation 198/2011 is disclosed in note 17.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

(c) Accounts receivable:

Accounts receivable are recorded at amortized cost less an amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value when risk of loss exists. Changes in valuation allowance are recognized in the statement of operations. Interest is accrued on loans receivable to the extent it is deemed collectable.

1. Significant accounting policies (continued):

(d) Asset retirement obligations:

The Commission recognizes an asset retirement obligation in the period in which it incurs a legal or constructive obligation associated with the retirement of a tangible capital asset, including leasehold improvements resulting from the acquisition, construction, development, and/or normal use of the asset.

The obligation is measured at the best estimate of the future cash flows required to settle the liability, discounted at estimated credit-adjusted risk-free discount rates. The estimated amount of the asset retirement cost is capitalized as part of the carrying value of the related tangible capital asset and is amortized over the life of the asset.

The liability is accreted to reflect the passage of time. At each reporting date, the Commission reviews its asset retirement obligations to reflect current best estimates. Asset retirement obligations are adjusted for changes in factors such as the amount or timing of the expected underlying cash flows, or discount rates, with the offsetting amount recorded to the carrying amount of the related asset.

(e) Employee future benefits:

(i) Defined benefit obligations, including multiple employer benefit plans:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits as employees render services to earn the benefits.

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). Plan assets are measured at fair value.

The actuarial gains and losses on event-driven employee benefits are recognized in the statement of operations when they arise. The actuarial gains and losses on employee benefits that are not event-driven, such as retirement benefits, are deferred and amortized over the expected average remaining service period of active covered employees. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 10 years (2012 - 10 years).

Where there are plan assets, the new discount rate is the rate of return on plan assets. If there are no plan assets, the discount rate is the Province's cost of borrowing. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented.

(ii) Defined contribution plans and multi-employer benefit plans:

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed when due and payable.

1. Significant accounting policies (continued):

(e) Employee future benefits (continued):

(iii) Accumulating, non-vesting benefit plans:

Benefits that accrue to employees, which do not vest, such as sick leave banks for certain employee groups, are accrued as the employees render services to earn the benefits, based on estimates of the expected future settlements.

(iv) Non-accumulating, non-vesting benefit plans:

For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Commission to pay benefits occurs.

(f) Non-financial assets:

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Costs include overhead directly attributable to construction and development. Interest is capitalized over the development period whenever external debt is issued to finance the construction and development of tangible capital assets.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight line basis over their estimated useful lives shown below.

Land improvements	20 years
Equipment and information systems	3 - 20 years
Leasehold improvements	Lease term to a maximum of 20 years
Software licenses	3 - 5 years
Vehicles	4 - 7 years

Assets under construction or development are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Commission's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The write-downs of tangible capital assets are recorded in the statement of operations. Write-downs are not subsequently reversed.

Contributed tangible capital assets are recorded at fair value at the date of contribution. Such fair value becomes the cost of the contributed assets.

1. Significant accounting policies (continued):

(f) Non-financial assets (continued):

(ii) Inventories held for use:

Inventories held for use are recorded at the lower of weighted average cost and replacement cost. Cost includes the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition. Replacement cost is the estimated current price to replace the items.

Inventories held for use consist of medical supplies.

(g) Revenue recognition:

Under the *Hospital Insurance Act* and *Regulation* thereto, the Commission is funded primarily by the Province of British Columbia in accordance with budget management plans and performance agreements established and approved by the Ministry.

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues if the amounts are considered to be collectable and can be reasonably estimated.

Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service is performed.

Unrestricted contributions are recognized as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Under the framework described in note 1(a), externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services, are considered to be deferred capital contributions and are amortized to revenue at the same rate as the amortization of the associated tangible capital asset. The amortization of the deferred capital contributions is recognized over the period in which the tangible capital asset is providing services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.

1. Significant accounting policies (continued):

(g) Revenue recognition (continued):

(ii) Contributions externally restricted for specific purposes other than for the acquisition or development of a depreciable tangible capital asset are recorded as deferred operating contributions, or deferred research and designated contributions, and recognized in revenue in the year in which the stipulation or restriction on the contribution has been met by the Commission.

Volunteers contribute a significant amount of their time each year to assist the Commission in carrying out its programs and services. Due to the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided a fair value can be reasonably determined.

Contributions for the acquisition of land, or the contribution of land, are recorded as revenue in the period of acquisition or transfer of title.

(h) Measurement uncertainty:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Significant areas requiring the use of estimates include the estimated useful lives of tangible capital assets, amounts to settle asset retirement obligations, contingent liabilities, and the future costs to settle employee benefit obligations.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

(i) Financial instruments:

Financial instrument classification is determined upon inception. Financial instruments are not reclassified into another measurement category for the duration of the period they are held.

Financial assets and financial liabilities, other than derivatives, equity instruments quoted in an active market and financial instruments designated at fair value are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at amortized cost less an amount for valuation allowance. All other financial liabilities are recorded using cost or amortized cost.

1. Significant accounting policies (continued):

(i) Financial instruments (continued):

Interest and dividends attributable to financial instruments are reported in the statement of operations.

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Transaction costs for financial instruments measured using cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs for financial instruments measured at fair value are expensed when incurred.

A financial liability or its part is derecognized when it is extinguished.

Management evaluates contractual obligations for the existence of embedded derivates and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the Commission's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities. Derivatives are initially recorded at fair value on inception. Derivatives are subsequently measured at fair value.

The Commission applied requirements of PS 3450, *Financial Instruments* effective April 1, 2012, in the same period as it adopted Public Sector Accounting Standards for the first time. Accordingly, PS 3450 was not applied retroactively. Comparative amounts for financial instruments are presented in accordance with the accounting policies applied by the Commission immediately preceding its adoption of Public Sector Accounting Standards.

(j) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Commission's Fiscal 2012/2013 Budget approved by the Board of Directors on April 26, 2012. The budget is reflected in the statement of operations and accumulated operating surplus and the statement of changes in net financial assets.

2. Cash and cash equivalents:

	2013	2012
Restricted cash	$ 148	$ 137
Unrestricted cash and demand deposits	29	91
	$ 177	$ 228

Restricted cash is related to patient trust accounts.

3. Accounts receivable:

	2013	2012
Provincial Health Services Authority	$ 13,640	$ 14,538
Federal and provincial sales taxes	854	1,115
Medical Services Plan	461	221
Other BC ministries	180	-
Patients, clients and agencies	23	35
Other health authorities and BC government reporting entities	16	299
Other	46	82
	$ 15,220	$ 16,290

4. Accounts payable and accrued liabilities:

	2013	2012
Salaries and benefits payable	$ 3,025	$ 2,363
Trade accounts payable and accrued liabilities	2,539	2,344
Accrued vacation pay	1,909	1,677
Patient trust funds	148	137
	$ 7,621	$ 6,521

5. Deferred research and designated contributions:

Deferred research and designated contributions represent unspent contributions received to fund research and other activities. Contributions are received from various non-government grantors, such as foundations, pharmaceutical companies and other donors for various research projects in the field of treatment, clinical trials, and other special purpose initiatives.

		2013
Deferred research and designated contributions, beginning of year	$	-
Contributions received during the year		155
Transfer of research and special purpose projects from British Columbia Mental Health Society (Riverview) Branch		75
Amounts recognized as revenue in the year		(129)
Deferred research and designated contributions, end of year	$	101

6. Asset retirement obligations:

		2013		2012
Asset retirement obligations:				
Balance, beginning of year	$	427	$	368
Change in estimates		16		-
Reduction in liability		(1)		-
Accretion		17		59
Asset retirement obligations, end of year	$	459	$	427

The Commission has accrued asset retirement obligations representing the estimated cost to settle obligations related to leased premises at future dates. The settlement of these obligations will occur at the expiry of the leases.

The value of the obligations is management's best estimate of the obligations, determined by discounting the estimated cash outflows of $472 (2012 - $457) over the term to expected settlement, at a credit-adjusted risk free rate of 1.24% (2012 – 4.00%). Estimated future cash flows are adjusted for an inflation factor of 2% (2012 – 2%).

The asset retirement obligations have been capitalized as part of related tangible capital assets. The asset retirement obligations capitalized in respect of leasehold improvements are amortized over the term until settlements are completed.

7. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or more years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by the collective agreements or employee agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

Sick leave benefits that accumulate but do not vest are included in the sick leave benefits balance.

The Commission's liabilities are based on an independent actuarial valuation performed as at the early measurement date of December 31, 2012 and extrapolated to March 31, 2013 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2013 are derived. The next required valuation will be as of December 31, 2015.

Information about retirement allowance benefits is as follows:

	March 31, 2013	March 31, 2012 (Restated – note 15)	April 1, 2011 (Restated – note 15)
Accrued benefit obligation:			
Sick leave benefits	$ 12	$ 23	$ 34
Severance benefits	1,428	1,460	1,428
	1,440	1,483	1,462
Balance of unamortized amounts	103	(9)	-
Accrued benefit obligation	$ 1,543	$ 1,474	$ 1,462

The accrued retirement benefit obligation reported on the statement of financial position is as follows:

	2013	2012 (Restated – note 15)
Accrued benefit obligation:		
Balance, beginning of year	$ 1,474	$ 1,462
Current service cost	70	65
Amortization of actuarial loss	1	-
Interest expense	65	72
Net benefit expense	136	137
Benefits paid	(67)	(125)
Accrued benefit obligation, end of year	$ 1,543	$ 1,474

7. Employee benefits (continued):

(a) Retirement allowance (continued):

The significant actuarial assumptions adopted in measuring the Commission's accrued retirement benefit obligation are as follows:

	March 31, 2013	March 31, 2012 (Restated – note 15)	April 1, 2011 (Restated – note 15)
Accrued benefit obligation:			
Discount rate	4.41%	4.44%	5.01%
Rate of compensation increase	2.50%	2.50%	2.50%
Benefit costs:			
Discount rate	4.44%	5.01%	6.25%
Rate of compensation increase	2.50%	2.50%	2.50%

(b) BC Public Service Long Term Disability Plan:

The BC Public Service administers the Long Term Disability Plan (the "Plan") for the employees of the Commission and other provincially-funded organizations. The Plan is a multiple-employer plan with the Commission's assets and liabilities for these long-term disability benefits segregated.

During the year ended March 31, 2013, the Authority assumed financial responsibility of the Plan for the employees of the Forensic Psychiatric Services Commission.

The Commission's March 31, 2013 asset is based on an actuarial valuation using an early measurement date of September 30, 2012. The next required valuation will be as of September 30, 2013.

The assets of the Plan are valued at market and consist of direct ownership in units of pooled investment portfolios managed by the British Columbia Investment Management Corporation.

The period of amortization is equal to the expected average remaining service lifetime of active employees.

7. Employee benefits (continued):

(b) BC Public Service Long Term Disability Plan (continued):

Information about the BC Public Service Long Term Disability Plan is as follows:

		March 31, 2013
Accrued long-term disability obligation (asset)	$	2,367
Fair value of plan assets		(2,041)
Net obligation (asset) as of September 30, 2012		326
Contributions to the plan, October 2012 – March 2013		(368)
Accrued long-term disability obligation (asset)	$	(42)

Accrued long-term disability asset reported on the statement of financial position is as follows:

		2013
Accrued long-term disability obligation (asset):		
Balance, beginning of year	$	-
Assumption of liability (asset)		(136)
Long-term disability expense		371
Contributions to other employee benefit plans		67
Actuarial loss		29
Administration expense		20
Expected return on assets		21
Net benefit (income) expense		372
Contributions to the plan		(414)
Accrued long-term obligation (asset), end of year	$	(42)

Plan assets consist of:

	2013
Debt securities	39%
Foreign equities	40
Equity securities and other	21
	100%

7. Employee benefits (continued):

(b) BC Public Service Long Term Disability Plan (continued):

The significant actuarial assumptions adopted in measuring the accrued long-term disability asset are as follows:

	2013
Accrued benefit asset:	
Discount rate	6.00%
Rate of benefit increase	2.00%
Benefit cost:	
Discount rate	6.00%
Rate of benefit increase	2.00%

(c) Employee pension benefits:

The Commission and its employees contribute to the Public Service Pension Plan, multi-employer defined benefit pension plans governed by the *BC Public Sector Pension Plans Act*. Employer contributions to the Public Service Pension Plan of $2,766 (2012 - $2,290) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at March 31, 2011 indicated an unfunded liability of $275,000. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 56,000 active members, of which 563 are employees of the Commission (2012 – 554). The next required valuation will be as at March 31, 2014, with results available in 2015.

8. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of tangible capital assets.

		2013		2012
Deferred capital contributions, beginning of year	$	2,676	$	2,479
Capital contributions received:				
Ministry of Health		78		853
Other		-		1
		78		854
Transfer of unamortized deferred capital contributions		169		-
Amortization for the year		(654)		(657)
Deferred capital contributions, end of year	$	2,269	$	2,676

The Commission does not have unspent capital contributions.

9. Tangible capital assets:

Cost	March 31, 2012	Additions	Disposals	Transfers	March 31, 2013
Land improvements	$ 43	$ -	$ -	$ -	$ 43
Building service equipment	1,136	-	-	(8)	1,128
Equipment and information systems	4,108	-	(40)	691	4,759
Leasehold improvements	2,542	18	-	101	2,661
Software licenses	30	-	-	47	77
Vehicles	428	78	-	10	516
Construction projects in progress	245	-	-	(245)	-
	$ 8,532	$ 96	$ (40)	$ 596	$ 9,184

Accumulated amortization	March 31, 2012	Amortization	Disposals	Transfers	March 31, 2013
Land improvements	$ 43	$ -	$ -	$ -	$ 43
Building service equipment	232	82	-	-	314
Equipment and information systems	3,181	353	(38)	400	3,896
Leasehold improvements	1,814	207	-	-	2,021
Software licenses	30	5	-	35	70
Vehicles	338	67	-	(8)	397
	$ 5,638	$ 714	$ (38)	$ 427	$ 6,741

9. Tangible capital assets (continued):

Cost	April 1, 2011	Additions	Disposals	Transfers	March 31, 2012
Land improvements	$ 43	$ -	$ -	$ -	$ 43
Building service equipment	992	144	-	-	1,136
Equipment and information systems	3,455	464	-	189	4,108
Leasehold improvements	2,542	-	-	-	2,542
Software licenses	30	-	-	-	30
Vehicles	617		-	(189)	428
Construction projects in progress	-	245	-	-	245
	$ 7,679	$ 853	$ -	$ -	$ 8,532

Accumulated amortization	April 1, 2011	Amortization	Disposals	March 31, 2012
Land improvements	$ 34	$ 9	$ -	$ 43
Building service equipment	162	70	-	232
Equipment and information systems	2,767	414	-	3,181
Leasehold improvements	1,603	211	-	1,814
Software licenses	30	-	-	30
Vehicles	309	29	-	338
	$ 4,905	$ 733	$ -	$ 5,638

Net book value	2013	2012
Land improvements	$ -	$ -
Building service equipment	814	904
Equipment and information systems	863	927
Leasehold improvements	640	728
Software licenses	7	-
Vehicles	119	90
Construction projects in progress	-	245
	$ 2,443	$ 2,894

9. Tangible capital assets (continued):

Tangible capital assets are funded as follows:

		2013		2012
Deferred capital contributions	$	2,269	$	2,676
Internally funded		174		218
Tangible capital assets	$	2,443	$	2,894

10. Commitments and contingencies:

(a) Operating leases:

The aggregate minimum future annual rentals under operating leases are as follows:

2014	$	829
2015		380
2016		291
2017		179
2018		
Thereafter		45
	$	1,724

The Commission leases land and buildings through an operating lease with Shared Services BC ("SSBC") of the Ministry of Labour, Citizens' Services & Open Government. Lease payments shown are for base rent. The terms and conditions are negotiated annually. Included in the above is $622 for lease payments to SSBC for the year ending March 31, 2014, $180 for each of the years ending March 31, 2015 – 2017 and $45 for the year ending March 31, 2018.

(b) Litigation and claims:

The nature of the Commission's activities is such that there will be litigation pending or in progress at any time. With respect to claims at March 31, 2013, management is of the opinion that the Commission has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on the Commission's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

11. Statement of operations:

(a) Other revenues:

	2013	2012
Recoveries from sales of goods and services	$ 247	$ 414
Recoveries from other health authorities and BC government reporting entities	87	56
Other	62	52
	$ 396	$ 522

(b) Other contributions:

Other contributions are from other ministries.

11. Statement of operations (continued):

(c) The following is a summary of expenses by object:

	2013	2012 (Restated – note 15)
Compensation and benefits	$ 45,521	$ 42,299
Equipment and building services:		
Rent	5,306	5,224
Building and ground service contracts	923	159
Equipment	343	181
	6,572	5,564
Referred-out and contracted services:		
Private contractors	4,732	4,880
Other health authorities and BC government reporting entities	1,621	301
	6,353	5,181
Supplies:		
Food and dietary	736	704
Drugs and medical gases	681	548
Printing, stationery and office	107	105
Medical and surgical	85	55
Laundry and linen	34	35
Housekeeping	11	8
Diagnostic	7	6
Other supplies	285	135
	1,946	1,596
Sundry:		
Professional fees	551	259
Travel	339	258
Communication and data processing	25	17
Other	552	360
	1,467	894
Amortization of tangible capital assets (note 9)	714	733
Research and designated expenses	129	-
Accretion of asset retirement obligations (note 6)	17	59
	$ 62,719	$ 56,326

12. Supplementary cash flow information:

(a) Net change in non-cash operating items:

	2013	2012 (Restated - note 15)
Accounts receivable	$ 1,070	$ 808
Accounts payable and accrued liabilities	1,100	(654)
Deferred research and designated contributions	101	-
Inventories held for use	15	-
Prepaid expenses	(2,484)	(448)
	$ (198)	$ (294)

(b) Acquisition of tangible capital assets:

Assets purchased or acquired through debt or other non-cash transactions are excluded from acquisition of tangible capital assets on the statement of cash flows.

	2013	2012
Additions to asset retirement obligations (note 6)	$ 16	$ -

13. Related parties:

Related party transactions with PHSA and members:

Certain administrative, finance and accounting, and human resource services are provided to the Commission by PHSA without charge. The costs of these services have not been recorded in the financial statements of the Commission.

During the year, the Commission was involved in the following related party transactions with other PHSA members:

For the year ended March 31, 2013, expenses include $104 (2012 - $92) resulting from transactions with other PHSA members.

The above amounts exclude transactions with PHSA which are disclosed elsewhere in these financial statements.

14. Risk management:

The Commission is exposed to credit risk and liquidity risk from its financial instruments. Qualitative and quantitative analysis of the significant risks from the Commission's financial instruments is provided below by type of risk.

Risk management and insurance services for all Health Authorities in BC are provided by the Risk Management and Government Security Branch of the Ministry of Finance.

(i) Credit risk

Credit risk primarily arises from the Commission's cash and cash equivalents and accounts receivable. The risk exposure is limited to their amounts at the date of the statement of financial position.

The Commission manages credit risk by holding balances of cash and cash equivalents with reputable top-rated financial institution. The Commission periodically reviews its investments and is satisfied with the credit rating of the financial institutions.

Accounts receivable primarily consist of amounts receivable from the Ministry, PHSA, other Health Authorities and BC government reporting entities, patients, clients and agencies, hospital foundations and auxiliaries, grantors, etc. To reduce the risk, the Commission periodically reviews the collectability of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectable amounts.

The Commission is not exposed to significant credit risk with respect to the amounts receivable from the Ministry, PHSA, other Health Authorities and BC government reporting entities. At March 31, 2013, the following accounts receivable were past due but not impaired:

30 days	$	12
60 days		7
90 days		3
Over 120 days		45

(ii) Liquidity risk:

Liquidity risk is the risk that the Commission will not be able to meet its financial obligations as they become due.

The Commission receives its principal source of capital through funding received from the Ministry. The Commission defines capital to be accumulated operating surplus, debt and deferred capital contributions.

14. Risk management (continued):

(ii) Liquidity risk (continued):

The Commission's objective when managing capital is to fund its operations and tangible capital asset additions, and to conduct research in the field of health care. The Commission manages the capital structure in conjunction with the Ministry and makes adjustments based on available government funding and economic conditions. Currently, the Commission's strategy is to monitor expenditures to preserve capital in accordance with budgeted funding granted by the Ministry.

The Commission is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined in the funding letter or grant documentation. The Commission has complied with the external restrictions on the funding provided.

The tables below show when various financial assets and liabilities mature.

Financial assets	On demand	Up to 6 months	6 months to 1 year	Total
Cash and cash equivalents	$ 177	$ -	$ -	$ 177
Accounts receivable	15,187	29	4	15,220
Total financial assets	$ 15,364	$ 29	$ 4	$ 15,397

Financial liabilities	On demand	Up to 6 months	6 months to 1 year	Total
Accounts payable and accrued liabilities	$ 7,006	$ 605	$ 10	$ 7,621
Total financial liabilities	$ 7,006	$ 605	$ 10	$ 7,621

15. Adoption of new financial reporting framework:

Effective April 1, 2012, the Commission adopted the framework described in note 1(a). These financial statements are the first financial statements for which the Commission has applied the framework. Previously, the Commission's financial statements were prepared in accordance with Part V of Canadian generally accepted accounting principles ("Part V Canadian GAAP").

15. Adoption of new financial reporting framework (continued):

The accounting policies disclosed in note 1 of these financial statements have been applied consistently in preparing the financial statements as at and for the year ended March 31, 2013, the comparative information as at and for the year ended March 31, 2012 and in the preparation of an opening statement of financial position as at April 1, 2011, the Commission's transition date, with the exception of exemptions on the first time adoption of PSAS described below and the adoption of PS 3450, *Financial Instruments*. According to the transitional provisions of PS 3450 for the first time adopters of PSAS, requirements of PS 3450 were applied as at April 1, 2012 prospectively, without restatement of comparative periods.

The impact of the adoption of the framework on accumulated operating surplus at the date of transition and comparative balances is presented below. These accounting changes have been applied retroactively with restatement of prior periods, except for the following exemptions from retroactive application on the first time adoption.

(a) Transition date exemptions:

Optional exemptions:

PS 2125, *First Time Adoption by Government Organizations* allows first-time adopters certain optional exemptions from full retrospective application of PSAS. Application of certain first time adoption exemptions was directed by the Treasury Board and the OCG (note 1(a)). The Commission applied the following exemptions as at April 1, 2011, its date of transition to the framework:

(i) Retirement and post-employment benefits – change in discount rate applied:

The Commission has elected not to use the exemption and applied the requirements of PS 3250, *Retirement Benefits* and PS 3255, *Post-Employment Benefits, Compensated Absences and Termination Benefits* with respect to the discount rate used to calculate the accrued obligations as at April 1, 2011.

(ii) Retirement and post-employment benefits – cumulative unamortized gains and losses on transition:

The Commission has elected to recognize all cumulative actuarial gains and losses at the date of transition directly to accumulated operating surplus. This election has been applied to all plans.

(iii) Business combinations:

The Commission has elected to apply the election under PS 2125. Therefore, the Commission has not restated any business combinations before the transition date to be in compliance with section PS 2510, *Business Combinations*.

15. Adoption of new financial reporting framework (continued):

(a) Transition date exemptions:

(iv) Tangible capital asset impairment:

The Commission has elected to apply the exemption under PS 2125, which exempts the Commission from retroactively reviewing for write-downs of tangible capital assets prior to the date of transition.

Mandatory exemptions:

The Commission has not revised estimates previously made under Part V Canadian GAAP, except for adjustments required to reflect any difference in accounting policies or calculations. Hindsight is not used to create or revise estimates.

(b) Transitional adjustments to new accounting framework:

Key adjustments to the Commission's financial statements resulting from the adoption of the framework are as follows:

(i) Retirement and post-employment benefits – accrual of non-vesting sick leave benefits:

Previously, the Commission was not required to record an accrued benefit obligation related to sick leave benefits when such benefits do not vest. The framework requires that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the Commission in return for the benefits. An adjustment was made to recognize a liability related to accumulated sick leave entitlement.

(ii) Retirement and post-employment benefits – amortization of actuarial gains and losses:

Under Part V Canadian GAAP, the Commission used the "corridor" method of amortization of actuarial gains and losses, under which such gains or losses in excess of 10% of the greater of net plan assets or liabilities at the beginning of the period were deferred and amortized over the expected average remaining service lifetime of active employees.

Under PS 3250, *Retirement Benefits* and PS 3255, *Post-Employment Benefits, Compensated Absences and Termination Benefits*, the Commission defers and amortizes any amount of actuarial gains and losses on retirement benefit plans, as such benefits are not event driven. On event-driven employee benefits (long-term disability benefits), the Commission elected to recognize the actuarial gains and losses when they arise.

15. Adoption of new financial reporting framework (continued):

(c) Reconciliation of statements of financial position, operations and cash flows, and accumulated operating surplus as previously reported under Part V Canadian GAAP to new financial reporting framework

Key adjustments to the Commission's financial statements resulting from the adoption of the framework are as follows:

(i) Statements of financial position:

March 31, 2012	Note	Part V Canadian GAAP, as previously reported	Prior year adjustment	Transition adjustment	New accounting framework
Liabilities					
Retirement allowance	(a)(i)-(ii) (b)(i)-(ii)	$ 1,413	$ 77	$ (16)	$ 1,474

April 1, 2011	Note	Part V Canadian GAAP, as previously reported	Transition adjustment	New accounting framework
Liabilities				
Retirement allowance	(a)(i)-(ii) (b)(i)	$ 1,385	$ 77	$ 1,462

15. Adoption of new financial reporting framework (continued):

(ii) Statement of operations:

The framework requires presentation of expenses by functions. Accordingly, the Commission presents expenses by sectors of health care. The following is a reconciliation of previously reported expenses to presentation of expenses by functions.

2012	Part V Canadian GAAP, as previously reported	Transition adjustment	Note	Mental health & substance use	Total (restated)
Compensation and benefits	$ 42,315	$ (16)	a(i), (b)(i)-(ii)	$ 42,299	$ 42,299
Equipment and building services	5,564	-		5,564	5,564
Referred out and contracted services	5,181	-		5,181	5,181
Supplies	1,596	-		1,596	1,596
Sundry	894	-		894	894
Amortization of tangible capital assets	733	-		733	733
Accretion of asset retirement obligations	59	-		59	59
	$ 56,342	$ (16)		$ 56,326	$ 56,326

(iii) Statement of cash flows:

2012	Note	Part V Canadian GAAP, as previously reported	Transition adjustment	New accounting framework
Retirement allowance expense	(a)(i) (b)(i)-(ii)	$ 153	$ (16)	$ 137

The adoption of the framework has had no impact on the net cash flows of the Commission. Interest expense is now separately presented as part of cash flows from operations. The framework requires separate presentation of cash flows from transactions with tangible capital assets, which were previously presented as part of investing activities.

15. Adoption of new financial reporting framework (continued):

(iv) Accumulated operating surplus

	Note	March 31, 2012	April 1, 2011
Accumulated operating surplus, as previously reported		$ 8,920	$ 8,746
Effect of recognition of the unamortized actuarial gains / losses in accumulated surplus, change in discount rate, change in method of amortization of actuarial gains / losses on retirement benefits and non-vested sick leave accrual	(a)(i)-(ii) (b)(i)-(ii)	(61)	(77)
Accumulated operating surplus, as restated		$ 8,859	$ 8,669

16. Comparative figures:

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

17. Impact of accounting for restricted contributions in accordance with Restricted Contributions Regulation 198/2011:

As disclosed in the significant accounting policies note 1, Restricted Contributions Regulation 198/2011 requires the Commission to recognize revenue from restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset on the same basis as the related amortization expense of the tangible capital asset. As these transfers do not contain stipulations or restrictions creating a liability over the term of the expected useful life of a related capital tangible asset, PSAS would require these contributions to be recognized in revenue as a tangible capital asset is acquired or development and construction of a tangible capital asset is complete.

17. Impact of accounting for restricted contributions in accordance with Restricted Contributions Regulation 198/2011 (continued):

The impact of the departure from PSAS on the financial statements of the Commission is as follows:

As at April 1, 2011		
Increase in accumulated operating surplus	$	2,479
Decrease in deferred capital contributions		(2,479)
For the year ended March 31, 2012		
Increase in operating surplus		197
As at March 31, 2012		
Increase in accumulated operating surplus		2,676
Decrease in deferred capital contributions		(2,676)
For the year ended March 31, 2013		
Decrease in operating surplus		(407)
As at March 31, 2013		
Increase in accumulated operating surplus		2,269
Decrease in deferred capital contributions		(2,269)